

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** Original  
**POSITION:** Neutral  
**SPONSOR:** California Department of Food and Agriculture

**BILL NUMBER:** SB 260  
**AUTHOR:** P. Wiggins

### **BILL SUMMARY:** Petroleum Products: Motor Oil

This bill would increase the statutory cap on the motor oil fee from 2 cents to 5 cents per gallon of motor oil manufactured or imported into California. The bill would also allow a 3 cent fee to be applied until regulations are adopted to set the fee.

### **FISCAL SUMMARY**

This bill will allow the California Department of Food and Agriculture (CDFA) to adopt regulations to increase the fee on motor oil to adequately cover the Petroleum Products Enforcement Program's (Program) costs, which have historically exceeded annual revenues. The existing Program is currently operating on accrued reserves. The bill also proposes a 3 cent fee to be applied until the adoption of regulations.

The CDFA's Division of Measurement Standards (DMS) estimates an annual cost of \$4.6 million to support the Program beginning in fiscal year 2008-09. The current 2 cent per gallon assessment on motor oil has generated an average of \$2.6 million from 2003-04 through 2007-08. The DMS projects that the fund reserve for the Program will be depleted by March 2010. Increasing the cap to 5 cents per gallon of motor oil would generate up to \$6.7 million in revenue annually based on a unit assessment of 134,877,962 gallons, which was the amount assessed in 2007-08. The new cap would allow the DMS to adequately carry out the functions of the Program without the risk of the fund becoming insolvent.

The CDFA expects to have regulations adopted shortly after January 1, 2010, and that the fee will likely be set to 4 cents. The new fee would generate revenue of \$4.046 million in 2009-10 (\$1.349 million for the first six months at 2 cents plus \$2.697 for the final six months at 4 cents). This would result in an increase in revenue of \$1.349 million for 2009-10. Should the fee remain at 4 cents for 2010-11 revenues would increase by \$2.698 million for a total of \$5.395 million.

### **COMMENTS**

Finance recognizes the need to adjust the fee to fully fund the Program. The regulations process will be used to determine the most appropriate fee level. Based upon current information, Finance believes that 3.5 cents would be the appropriate fee. The Program is funded through the Department of Agriculture Fund, which is continuously appropriated, so any related increase in expenditure authority would be unnecessary.

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| Analyst/Principal<br>(0221) R. Baker | Date | Program Budget Manager<br>Todd Jerue | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____    |
|                    |     |       | Position Disapproved _____ |

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| <b>BILL ANALYSIS</b> | Form DF-43 (Rev 03/95 Buff) |
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**BILL NUMBER**

SB 260

|                   |  | SO                     | (Fiscal Impact by Fiscal Year) |           |    |           |    |           |      |
|-------------------|--|------------------------|--------------------------------|-----------|----|-----------|----|-----------|------|
| Code/Department   | LA                                       | (Dollars in Thousands) |                                |           |    |           |    |           |      |
| Agency or Revenue | CO                                       | PROP                   |                                |           |    |           |    |           | Fund |
| Type              | RV                                       | 98                     | FC                             | 2008-2009 | FC | 2009-2010 | FC | 2010-2011 | Code |
| 1212/Othr Reg Tax | RV                                       | No                     |                                | --        | U  | \$1,349   | U  | \$2,698   | 0111 |
| <u>Fund Code</u>  | <u>Title</u>                             |                        |                                |           |    |           |    |           |      |
| 0111              | Department of Agriculture Account, Ag Fd |                        |                                |           |    |           |    |           |      |